

## Helping Families Save Their Homes

Central Florida's foreclosure crisis is getting worse every day and it is important to take action now. Florida has been hit especially hard by foreclosures and more than 400,000 new foreclosures are expected for 2009 if no action is taken. In addition, it is estimated that each foreclosed home leads to a 9% drop in property value for nearby homes.

That is why I voted in favor of the Helping Families Save Their Homes Act. This bill is a first step towards protecting thousands of Florida homeowners and preserving property values across the state. The bill provides incentives to encourage lenders to negotiate affordable mortgages, fixes the Hope for Homeowners program designed to spur the refinancing of mortgages, and allows bankruptcy judges to modify mortgage terms on primary residences for homeowners who have exhausted all other options.

The bankruptcy provisions in the Helping Families Save Their Homes Act were carefully crafted in order to prevent abuse and to ensure that families are not being pushed into bankruptcy. Banks and homeowners must first work in good faith to craft a loan modification before bankruptcy can be considered. The discretion of bankruptcy judges is narrowly defined for the few instances where bankruptcy might occur and judges will be required to consider interest rate reductions that would significantly lower monthly mortgage payments before considering a principal reduction.

We need to help working families avoid bankruptcy, not push them into it. The measures that I fought to include in this bill will help hard-working Floridians pay their mortgages and keep their homes while ensuring that bankruptcy is only a last resort.

Though it will not completely solve our foreclosure crisis, the Helping Families Save Their Homes Act provides common-sense solutions that will help thousands of families stay in their homes and preserve property values in neighborhoods throughout Florida.

### Useful Resources:

Families should not wait to seek mortgage relief. Right now, homeowners can determine if they are already eligible for mortgage assistance through FHA Secure. They can obtain information through any of the following options:

1. Contact current lender
2. Contact a local, HUD-approved housing counseling agency at [www.hud.gov](http://www.hud.gov);
3. Contact the HOPE NOW Alliance at 1-888-995-HOPE; or
4. Call FHA at 1-800-CALL-FHA.

Visit our [Help for Homeowners](#) page for additional information and contacts.

Support for the Helping Families Save Their Homes Act:

The bill is backed by Citigroup, AARP, Center for Responsible Lending, Consumers Union, Attorneys General of 21 states, Leadership Conference on Civil Rights, National Federation of Community Development Credit Unions, and National Fair Housing Alliance.

Additional Information about the Helping Families Save Their Homes Act:

Incentives for Negotiating Affordable Home Loans

- Fixes to the FHA's Hope for Homeowners program enacted as part of the comprehensive housing reform legislation from last summer:
- Lower fees paid by borrowers and lenders.
- Provide \$1,000 payments to servicers for each successful refinance of existing loans.
- Provides mortgage servicers with clarity and certainty for their actions, and protection from lawsuits for specified loan modifications. Mortgage servicers are concerned about the threat of investor lawsuits if they help families in danger of losing their homes with loan modifications.
- Helps veterans and other homeowners to avoid foreclosure by allowing the Department of Veterans Affairs, the Federal Housing Administration, and U.S. Department of Agriculture to guarantee and/or insure mortgage loans modified either out of court or in a bankruptcy case. This will provide financial incentives for lenders to voluntarily modify mortgage loans in lieu of foreclosure.

- Expands the FHA's mortgage loan modification abilities to keep more people in their homes and thereby reduce foreclosures by allowing a reduction of interest payments of up to 30 percent of the outstanding loan balance.
- Prevents predatory lenders from being approved as lenders under the FHA programs.

#### Protecting Consumers's Savings in Community Banks and Credit Unions

- Makes permanent an increase, from \$100,000 to \$250,000, in the amount insured by regulators for each account held by a consumer at a bank or credit union, and increases these regulators's authority to obtain additional liquidity from the US Treasury

#### Bankruptcy Provisions to Spur Refinancing to Affordable Home Loans

- Reduces home foreclosures by an estimated 20 percent (according to a study by Credit Suisse) -- by giving bankruptcy judges the ability to modify certain mortgage loans on a homeowner's principal residence in order to establish an affordable mortgage plan for homeowners so they can continue making payments.
- Permits a reduction of principal, allows the repayment period to be extended, or authorizes an exorbitant interest rate -- including those from adjustable rate mortgages or predatory loans -- to be reduced to a level that will keep the mortgage affordable over the long-term. Requires courts to consider the Administration's debt-to-income and interest rate limits in determining how to modify the mortgage
- Applies only to existing mortgages, and would not apply to future mortgages, so that bankruptcy judges can modify mortgages when families exhaust other options.
- Homeowners must show good faith, have taken steps to get a loan modification outside of bankruptcy, and share the increase in property value with the lender for five years.
- Requires homeowners facing foreclosure to call lenders 30 days prior to applying for judicial modification, to provide information to the lender for a loan modification offered by the lender before these homeowners can apply for judicial modification.
- Ensures that a judge consider whether a loan modification was offered prior to coming to court.
- Prohibits a borrower who can afford their mortgage or a borrower convicted of mortgage fraud from modifying his or her mortgage under this legislation.
- Those going through bankruptcy must live under the supervision of a trustee and a judge, and under the observation of creditors for up to five years, and bankruptcy can remain on credit reports for up to 10 years.
- The bill does not let homeowners escape from their financial obligations; the court can reduce the mortgage only to the current fair market value of the house. The bankruptcy court will structure payments requiring families to pay their mortgages to the greatest extent that they are able in equal monthly payments.
- Investors who own two, three or four homes are permitted to restructure their loans in bankruptcy, under current law. This should be the rule for ordinary homeowners, as a last resort alternative to foreclosure.
- The bill would NOT rewrite the 2005 Bankruptcy Code amendments. The current legal prohibition on modifying primary mortgages dates back to 1978 when most mortgages were 30-year fixed rate loans owned by local banks rather than the rapidly changing adjustable rate mortgages that have been originated and sold to investors widely in recent years.